

Sales Promotion

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MKT728

Lecture 7



Chapter
07

LEARNING OBJECTIVES

- To understand the role of sales promotion in a company's integrated marketing communications program and to examine why it is increasingly important
- To examine the various objectives of sales promotion programs
- To examine the types of consumer- and trade-oriented sales promotion tools and the factors to consider in using them
- To understand how sales promotion is coordinated with advertising
- To consider potential problems and abuse by companies in their use of sales promotion

- Direct inducement that offers an extra value or incentive for the product to:
 - Sales force
 - Distributors (Retailers)
 - Ultimate consumer (end consumer)
- Primary objective is to create an immediate sale

- It has three important aspects:
 1. An extra incentive to buy, such as coupons, rebates, sweepstakes entries, or an extra amount of product
 2. Acceleration tools to speed up the selling process and maximize sales volume
 3. Targeting different parties - Consumers or trade members

Main Objectives

"A direct inducement that offers an extra value or incentive for the product to the sales force, distributors, or the ultimate consumer with the primary objective of creating an immediate sale."

An extra
incentive to buy

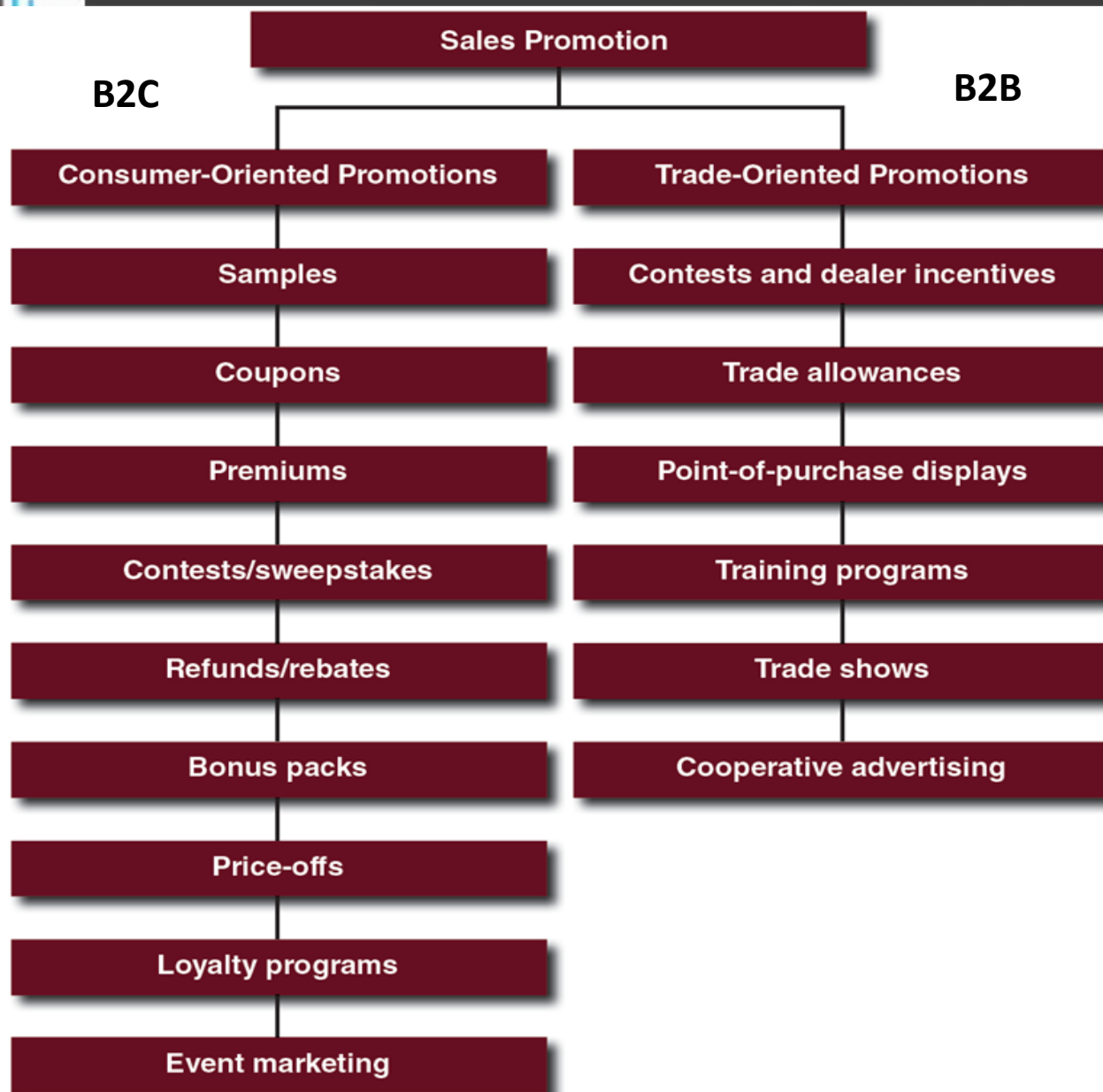
A tool to
speed up sales

Accelerate sales

Targeted to
different parties

- Technique
- Adv & disadv
- Methods

Types of Sales Promotion Activities



Reasons for the Increase in Sales Promotion (Growth of SP)

Growing power of retailers and declining brand loyalty (2B, carrefour)

Increased promotional sensitivity (buy only in sale)

Brand proliferation (too much brands – no significant advantage for advertising)

Fragmentation of the consumer market (adverts are less effective)

Short-term focus (immed sales)

Increased accountability

Competition and clutter (gain or maintain a competitive advantage - Promotional offers can break through the clutter and attract attention)

Growth of digital marketing (Social media & call for action)

There many reasons behind the increased use of sales promotion, and the associated shift away from mass media advertising:

- **Growing power of retailers** - Manufacturers used to have most of the power, now retailers, through technology, consolidation, and private labeling, have more.
- **Declining brand loyalty** - Consumers are purchasing more on the basis of price, value, and convenience.
- **Increased promotional sensitivity** - Consumers want to save money and respond well to promotions that allow them to do so.
- **Brand proliferation** - The market has become saturated with new products, many of which lack any significant advantages that can be used as the basis of an advertising campaign.
- **Fragmentation of consumer markets** - Traditional mass media advertising has become less effective and promotions are a way to reach market segments.
- **Short-term focus** - Sales promotion is seen as a way of generating an immediate increase in sales.
- **Increased accountability** - Managers are under pressure to produce sales results.
- **Competition** - Promotions are a way to gain or maintain a competitive advantage.
- **Clutter** - Promotional offers can break through the clutter and attract attention.



Role of Direct Marketing in the IMC Program

اشترى أي لاب توب أو موبايل واحصل على خصم إضافي على السوفت وير يصل إلى 60%
تسوق الآن



FLASH SALE خصم يصل إلى 60%

المتاجر الشحن

الموبايل العروض

60% خصم يصل إلى

تسوق الآن

تطبيق الشروط والأحكام

العرض ينتهي بعد 56:47:34

دردشة

قسط مع 18 شهر 0 مقدم، 0 فوائد، 0 مصاريف إدارية

FRIDAY 11.11

قسط مع قاليو 18 0 مقدم 0 فوائد 0 مصاريف إدارية

تسوق الآن

تطبيق الشروط والأحكام

249.00 جنيه

أخف لسلة التسوق

تسوق الآن

تطبيق الشروط والأحكام

37% 25% دردشة

2B Egypt 11/10/22

مش بس تقسيط وكمان خصم إضافي استخدم برومو كود VALU200 وخذ خصم إضافي يصل الي 200 جنيه

FRIDAY 11.11

PROMO CODE VALU200

أشترى أونلاين بفاليو وأحصل على خصم يصل إلى 200 جنيه لما تستخدم بروموكود

16420

2B Egypt 11/10/22

احصل علي خصم اضافي حتي 250 جنيه علي اللابتوب استخدم بروموكود laptop250 وتهحصل علي خصم 250 جنيه

laptop250

خصم يصل إلى 250 جنيه

هذا العرض ساري من 9 إلى 19 نوفمبر

كهربنا الجوه

How Sales promotion can backfire your brand

- Devalues the brand (not based on qlty & brand)
- Encourages consumers to purchase primarily on the basis of price (not taking dec. based on need or qlty)
- Leads to companies funding short-term promotions and neglecting advertising (do adverts whole year and sell less. Only one month sell the whole store)

Consumer Franchise-Building versus Nonfranchise-Building Promotions

Brand



About Retailer
not brand



Consumer franchise-building (CFB) promotions

- Communicate distinctive brand attributes and contribute to the development and reinforcement of brand identity
- Build long-term brand preference (buy again)
- Help achieve full-price purchases that are not dependent on promotional offers
- Capable of converting consumers to loyal customers

Nonfranchise-building (non-FB) promotions

- Accelerate the purchase decision process and generate an immediate increase in sales
- Do not contribute to the building of brand identity and image
- Merely borrow customers from other brands

Comparison between consumer franchise-building versus nonfranchise-building promotions.

Consumer franchise-building (CFB) promotions are sales promotion activities that:

- Communicate distinctive brand attributes
- Contribute to the development and reinforcement of brand identity
- Build long-term brand preferences
- Help achieve full-price purchases that are not dependent on promotional offers
- Capable of converting consumers to loyal customers

Comparison between consumer franchise-building versus nonfranchise-building promotions.

Nonfranchise-building promotions

- Are designed to accelerate the purchase decision process and generate an immediate increase in sales
- Do not communicate information about a brand's unique features or the benefits of using it, so they do not contribute to the building of brand identity and image
- Merely borrow customers from other brands

- Obtaining trial and repurchase
- Increasing consumption of an established brand
- Defending current customers
- Targeting a specific market segment
- Enhancing integrated marketing communications
- Building brand equity

Sampling (testers) (sampling experience of uber)

- Giving some quantity of a product for no charge to induce trial

Coupons (vouchers)

- Most widely used, and most effective sales promotion tool

Premiums (coffeemate with nescafe gold)

- Offering a product or service either free or at a low price

Contests and sweepstakes (سحوبات)

- **Contest:** Consumers compete for prizes or money on the basis of skills or ability
- **Sweepstakes:** Winners are determined purely by chance; does not require a proof of purchase

Refunds and rebates (refund next visit)

- Offers by the manufacturer to return a portion of the product purchase price

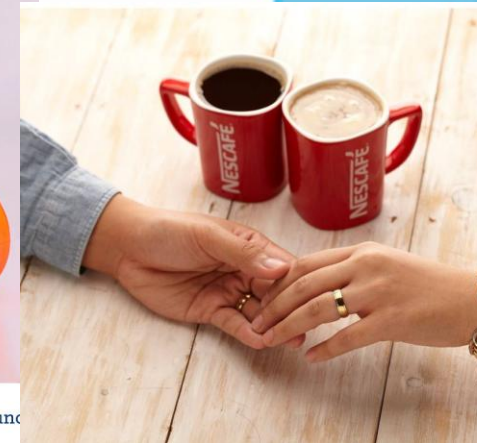


Cairo Spots is at Zack's Bakery Café.

June 8, 2021 · Cairo ·

You can now order [Zack's Bakery Café](#) Breakfast from their online shop with a 15% Off your first order if you use the coupon FIRST15

You'll find their delicious bagels, sandwiches, pancakes & croissants made with their excellent quality bakery & generous fillings. You can also pay them a visit in their branches in Rehab, New Cairo or North Coast's [Stella Walk](#) 🍩



Bonus packs

- Offer the consumer an extra amount of a product at the regular price by

Price-off deals

- Reduces the price of the brand
- Offered right on the package through specially marked price packs

Loyalty programs

- Offer opportunity to accumulate points for continuing to purchase their brands
- Points are redeemed for gifts and prizes

Event marketing

- Links a company or brand to an event or where a themed activity is developed
- Creates experiences for consumers for promoting a product or service



X12



Sampling Works Best When

Products are of relatively low unit value, so samples don't cost much

Products are divisible and can be broken into small sizes that reflect the products features and benefits

Purchase cycle is relatively short so the consumer can soon purchase again



Benefits

- Provides consumers with a risk-free way to try new products
- Generates much higher trial rates than other sales promotion techniques
- Consumers get to experience the brand directly

Limitations

- Brand must have some unique or superior benefits for sampling to work
- Costs can be recovered only if consumers become regular users
- May require larger amounts of the product to produce favorable results (whitening cream)

Door-to-door sampling

Sampling through the mail

In-store sampling

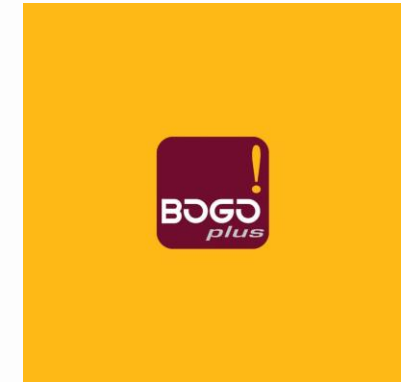
On-package sampling

Event sampling

Sampling through magazines and newspapers

Sample request forms

Sampling through the internet and social media



The oldest and most widely used sales promotion tool

90% of consumers use coupons; 13% use them regularly

Over 300 billion distributed each year in the US



Advantages	Limitations
• Appeals to price-sensitive customers (lives on coupons) • Does not require retailers' cooperation • Reduces consumer's perceived risk associated with trial of a new brand • Encourages repeat purchase • Helps coax users to trade up to more expensive brands	• Estimating how many consumers will use a coupon and when is difficult • Less effective for inducing initial product trial in a short period (buy to get coupon) • Consumers already using the brand cannot be prevented from using the coupons • Have low redemption rates and high costs • Could result in misredemptions

- Freestanding inserts (FSIs)
- Advertising booklet that contains consumer packaged goods coupon offers delivered with newspapers
- Direct mail
- Coupons for different products is sent to a household by local retailers or through co-op mailings



- In/on-pack coupons
 - Bounce-back coupon: Redeemable for the next purchase of the same brand
 - Cross-ruff coupon: Redeemable on the purchase of a different product
 - Instant coupon: Attached to the outside of a package and can be redeemed immediately
- In-store couponing: Co-op coupons distributed in a retail environment

- Coupon usage remained high after the recent recession
- Marketers are using them to compete against:
 - Lower-priced competitors (buy now and take coupon)
 - Private label store brands (carrefour One brand)
- Internet and mobile marketing are used for coupon distribution

- Free premiums: Small gifts or merchandise:
 - Included in the product package
 - Sent to consumers who mail in a request along with a proof of purchase
- Self-liquidating premiums: Require the consumer to pay:
 - Some or all of the cost of the premium
 - Handling and mailing costs



Special Offer



Contests and Sweepstakes

Sweepstakes



Promotion where winners are
determined purely by chance

Cannot require proof of purchase
as a condition for entry

Winners chosen by random selection from
pool of entries or generation of a number
to match those held by game entrants

Consumers compete for prizes or money
on the basis of skills or ability

Contest

Winners determined by judging entries
or ascertaining which entry is closest
to predetermined criteria

- Do not contribute to consumer franchise building
- Presence of professional entrants defeats the purpose of the promotion
- Numerous legal considerations have to be addressed



- Consumers are very responsive
- Help create new users
- Encourage brand switching or repeat purchase behavior (collecting points) $\neq$ loyalty
- Perceived price reduction for consumers who plan to redeem but don't) (hedeya store refund)

- Effort required to obtain the savings act as deterrents
- Perception of rebates as attempts to sell products that are not faring well
- For small refunds, other promotional incentives are more effective
- Dependence on rebates leads to:
 - Delayed purchases
 - Purchase only if rebates are available
 - Sometimes it is fishy

Advantages

- Ensure discounts reach the consumers
- Present a readily apparent value to shoppers
- Encourage consumers to purchase larger quantities

Limitations

- Can create pricing and inventory problems
- Appeal primarily to regular users and not new users
- Must adhere to regulations set by the Federal Trade Commission (NRT: We, Vodafone, orange, etisalat)

Advantages

- Direct way to provide extra value
- Have a strong impact on the purchase decision at the time of purchase
- Effective defensive maneuver against competitor's promotion
- May result in larger purchase orders and favorable display space in stores



Limitations

- Require additional shelf space without providing extra profit margins for retailers
- Appeal primarily only to current users and promotion-sensitive consumers



■ Advantages

- Encourage consumers to use the products or services on a continual basis
- Develop strong customer loyalty
- Help develop customer databases



■ Limitations

- Many consumers drop out as it takes too long to accumulate reward points



Event marketing (for brand)

- Company or brand is linked to an event, or a themed activity is developed to:
 - Create experiences for consumers
 - Promote a product or service

Event sponsorship

- Company develops sponsorship relations with an event and provides financial support in return for:
 - Right to display a brand name, logo, or advertising message
 - Being identified as a supporter of the event

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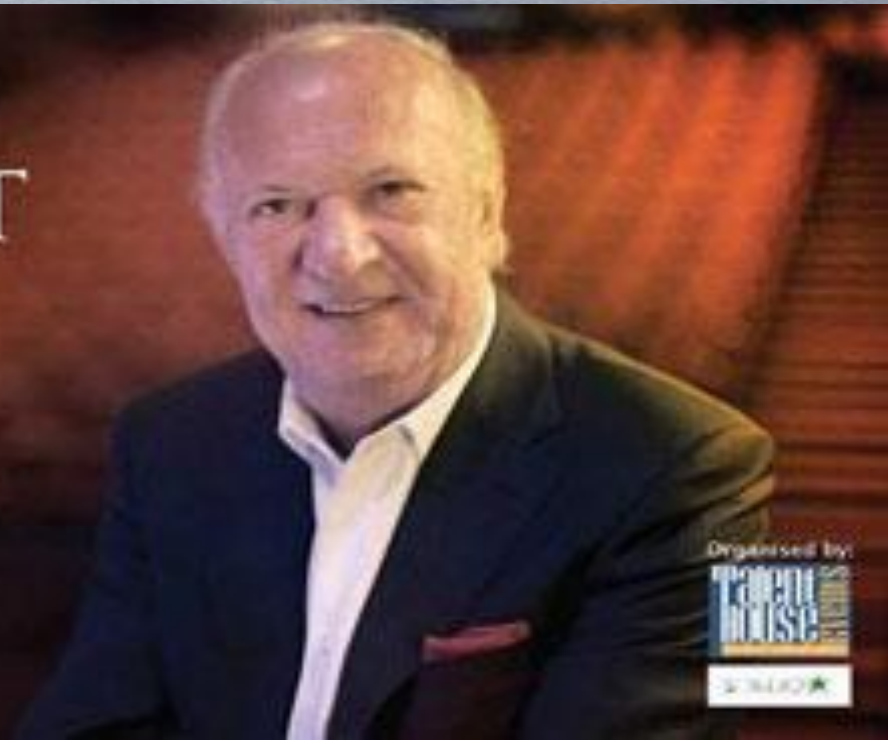
THE LEGENDARY COMPOSER
OMAR KHAIRAT
LIVE IN CONCERT
6 OCTOBER 2016

With Omar Khairat Orchestra

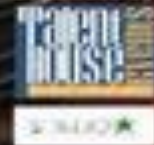
Tickets available at dubaiopera.com

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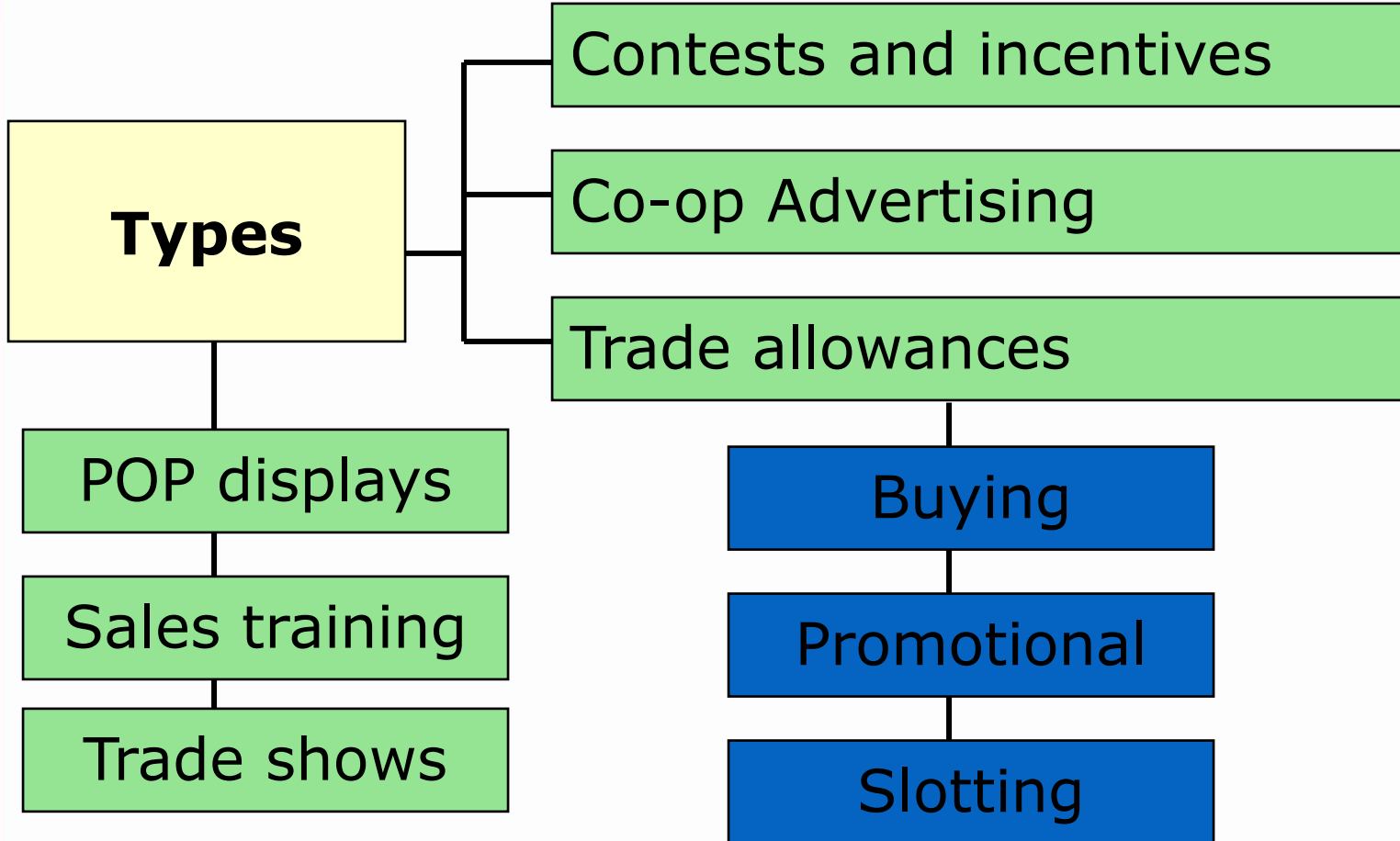


Consumer-Oriented Sales Promotion Tools for Various Marketing Objectives

Consumer Reward Incentive	Marketing Objective		
	Induce trial	Customer retention/loading	Support IMC program/build brand equity
Immediate	• Sampling • Instant coupons • In-store coupons • In-store rebates	• Price-off deals • Bonus packs • In- and on-package free premiums • Loyalty programs	• Events • In- and on-package free premiums
Delayed	• Media- and mail-delivered coupons • Mail-in refunds and rebates • Free mail-in premiums • Scanner- and Internet-delivered coupons	• In- and on-package coupons • Mail-in refunds and rebates • Loyalty programs	• Self-liquidating premiums • Free mail-in premiums • Contests and sweepstakes • Loyalty programs

- Obtain distribution for new products
- Maintain trade support for established brands
- Encourage retailers to display established brands
- Build retail inventories
- رنين ببيع لماركات مش معروفة بس عشان اسمه الناس بتشتري





■ Product or Program Sales

Awards are tied to the selling of a product, for example:

- Selling a specified number of cases

- Selling a specified number of units

- Selling a specified number of promotional programs

■ New Account Placements

Awards are tied to:

- The number of new accounts opened

- The number of new accounts ordering a minimum number of cases or units

- Promotional programs placed in new accounts

■ Merchandising Efforts

Awards are tied to:

- Establishing promotional programs (such as theme programs)

- Placing display racks, counter displays, and the like

- Successful integration requires decisions concerning:
 - Budget allocation
 - Coordination of ad and promotion themes
 - Media support and timing

- Overuse of sales promotion leads to:
 - Loss of a brand's perceived value
 - Purchase of product being attributed to the promotional incentive and not to a favorable attitude toward the brand
 - Sales promotion trap or spiral

- Understood the role of sales promotion in a company's integrated marketing communications program and to examine why it is increasingly important
- Examined the various objectives of sales promotion programs
- Examined the types of consumer- and trade-oriented sales promotion tools and the factors to consider in using them
- Understood how sales promotion is coordinated with advertising
- Considered potential problems and abuse by companies in their use of sales promotion



Chapter

07

To Sum Up...



مجموعة جامعة
الجميع الذكية
للتعليم القابضة

MIDOCEAN
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Thank You

Dr. Perihan Salah

